

SECTION II
AREA REVIEW

A. INTRODUCTION

Demographic and economic characteristics serve as indicators of a given market area's ability to support meeting and convention facilities. As such, presented in the following paragraphs is an overview of macro-level socio-economic variables in the United States, New Mexico, and the City of Las Cruces, indirectly impacting the potential convention center's market performance. Future growth in demand, as will be discussed in Section V of this report, has been estimated based in part on our analysis of these key indicators. The maps on the following pages highlight the location of Las Cruces in relation to the surrounding region.

B. OVERVIEW OF THE U.S. ECONOMY

The U.S. economy has remained strong despite the recent economic crisis in Asia, the upheaval in Russia, and uncertainties in Europe and Latin America. This resilience has been attributed primarily to the Federal Reserve's highly effective management of interest rates, coupled with low unemployment (4.2 percent) and low inflation.

From 1994 through 1998, the S&P 500 index, a frequently followed measure of the U.S. stock market, increased 160 percent, the largest four-year increase in history. This steady rise in the stock market has been instrumental in creating new levels of consumer spending and confidence, leading the U.S. economy to enjoy its longest-ever peace time expansion. The strength of the U.S. economy has continued throughout 1999, despite a 50-basis point increase in interest rates by the Federal Reserve.

The relationship between a rising stock market and consumer spending is attributed to a phenomenon identified by economists as the "wealth effect." The wealth effect is the tendency people have to spend or not spend money when they see their net worth rise or fall. Even though capital gains and losses have not been realized, the perceived changes in assets tends to influence consumer spending decisions, such as booking meetings and conventions. The rapid rise in the U.S. stock market during the 1990s is the latest example of this phenomenon. Economists estimate that for each dollar the stock market rises or falls, consumer spending changes by three to seven percent within a two-to-three year period. The wealth effect has also received recent attention because of socio-economic changes in the U.S. economy. In 1998, almost 50 percent of American households owned stock, up from 33 percent in 1989. Consequently, more consumers are affected by changes in the stock market, increasing the impact of the wealth effect.

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If the currently priced stock market moves downward, however, the impact of the wealth effect could reverse and have a potentially dampening impact on the U.S. economy.

Location of the subject in the Southwest U.S.

Regional Map

C. NEW MEXICO

Culture, art, and the mystique of New Mexico are prevalent in cities as large as Albuquerque and as quaint as Taos. New Mexico has a deep cultural heritage stemming from 400 years ago when the Spaniards settled in Santa Fe, built a capital, and added to the mix of Native American and Mexican inhabitants. Many New Mexico cities and towns boast adobe-style and pueblo-style architecture, with paintings and crafts in the public areas of local hotels. It is the culture that makes New Mexico rich in artistic and traditional value.

New Mexico, along with much of the Southwest, which is generally defined as comprising the states of Arizona, New Mexico, Oklahoma, and Texas, is one of the faster growing areas in the U.S. Most of the population growth in the state is occurring in the metropolitan areas. In the decade of the 1990s, Las Cruces is ranked as the 11th fastest growing city within the U.S. With 1,736,900 residents in 1998, New Mexico has had a population compound annual growth rate (CAGR) of 1.7 percent.

There are three Metropolitan Statistical Areas (MSAs) in the state. The Albuquerque MSA, the largest, is comprised of Bernalillo, Sandoval, and Valencia Counties. The Las Cruces MSA is the second largest metropolitan area in New Mexico and is comprised of Doña Ana County, while the Santa Fe MSA includes Los Alamos and Santa Fe Counties.

Employment has also been growing at a steady pace in recent years. In 1998, there were 779,700 jobs in the state, a 2.1 percent CAGR since 1990, with over 65 percent of these jobs in the metro areas. In 1998, there were 779,700 individuals employed in New Mexico and the annual unemployment rate was 6.2 percent. This unemployment rate is slightly above the U.S. unemployment rate, which was 4.5 percent in 1998, due to a state population growth rate that is higher than the state's job growth rate. As of August 1999, the unemployment rate in New Mexico was 6.1 percent, whereas the U.S. unemployment rate was 4.2 percent. Employment statistics of New Mexico will be discussed in more detail on page II-9.

New Mexico's diverse economy is comprised of a combination of leading-edge companies specializing in high technology, scientific research, and manufacturing and business service operations. Over the last three years, job growth has remained stable at approximately two percent. Trade, services, and government employment accounts for 77 percent of total non-agricultural jobs, with services and trade posting annual gains of 2.5 percent and two percent, respectively. Within the services sector, education and business services have experienced the highest growth. High-technology, via Intel Corporation, is

also driving strong growth in international trade. Many high-tech companies have located in and around New Mexico because of its renowned research facilities, including Sandia National Laboratories, Los Alamos National Laboratory, Kirtland Air Force Base, and White Sands Missile Range.

New Mexico's exports to the world grew by five percent in 1998 to a record \$1.975 billion. In the first quarter of 1999, exports from New Mexico increased by a high of 76 percent over the same quarter in 1998, with the major growth coming from electronic equipment, which has increased by 90 percent over 1998

Historically, agriculture has been, and still is, the foundation of New Mexico's economy. The 1997 Census of Agriculture (most recent statistics available) indicated there were approximately 14,100 farms in the state, two percent less than in the 1992 census. However, the market value of agricultural products increased by 29 percent over 1992 to \$1.6 billion in 1997. Crop sales accounted for 29 percent of the market value; livestock sales accounted for 71 percent.

Of note is that New Mexico, along with 14 other states, is competing to have the Lockheed-Martin Space Port facility developed on a site located some 30 miles northwest of Las Cruces. The project is expected to bring in \$5 billion over a ten-year period to the surrounding area. It is expected that Lockheed-Martin will make its final site selection decision by 2002.

D. LAS CRUCES

1. Overview

The City of Las Cruces is located in the Mesilla Valley in south-central New Mexico. Las Cruces is set against the jagged backdrop of the 9,000-foot Organ Mountains rising to the east, with the Rio Grande flowing through the middle of the Mesilla Valley to the west. Las Cruces is a regional hub linking with El Paso and Ciudad Juárez, Mexico. The history of Las Cruces dates back to 1598, when Don Juan de Onate led the first colonists along the Camino Real from El Paso Norte through Las Cruces and the Mesilla Valley to Santa Fe. Las Cruces was founded in 1849, and it became an incorporated city in 1946. The neighboring town of Mesilla has been able to retain the ambiance of the "old west" community it once was.

Las Cruces is New Mexico's second-largest city, and is the eleventh fastest growing metropolitan statistical area in the nation. For years, its economy has been partially dependent on

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federal expenditures at nearby White Sands Missile Range, and on New Mexico State University. White Sands performs testing and evaluation of rocket propulsion systems, materials, and other components of the U.S. space program. The area has had a steady decline in the Department of Defense budget and as a result, agriculture has become more important to the local economy.

Like many sunbelt cities, the Las Cruces economy is growing, with the growth coming from several areas. The first is growth from its young resident population, whose median age is just over 30. The second growth sector is private and public sector employment that continues to fuel both the economy and the population. And the third growth generator is growth conditions in other parts of the nation that indirectly impact New Mexico and Las Cruces.

2. Population

The Greater Las Cruces Chamber of Commerce reports that Doña Ana County had a population of 168,470 persons in 1998, representing a CAGR of 2.8 percent over the 1990 population of 135,510. Las Cruces had a population of 74,780 persons in 1998, representing a CAGR of 2.3 percent over the 1990 population of 62,130. As previously indicated, population growth for New Mexico increased at an annual rate of 1.7 percent during the same period. The population of Doña Ana County and Las Cruces are projected to grow at a CAGR of 1.8 and 1.5 percent, respectively, between 1998 and 2003. The following table summarizes the population growth for New Mexico, Doña Ana County, and Las Cruces.

New Mexico, Doña Ana County, and Las Cruces Population 1990 to 2003			
Year	New Mexico	Doña Ana County	Las Cruces
1990	1,515,000	135,510	62,130
1998	1,742,700	168,470	74,780
2003	N/A	184,340	80,640
CAGR	1.8% ⁽¹⁾	2.4%	2.0%
⁽¹⁾ 1990 to 1998 Source: Greater Las Cruces Chamber of Commerce			

As can be noted above, the population of Doña Ana County and Las Cruces are projected to increase steadily; however, the population of Las Cruces is projected to increase at a slightly slower pace than the county population. The population of the City of Las Cruces represents approximately four percent of the State of New Mexico's total, of approximately 1.7 million, whereas Doña Ana County represents approximately ten percent of New Mexico's total population. The increase in population growth can be attributed to new retirees moving into the area.

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3. Economic Trends

In our assessment of the economic climate of the Las Cruces area, we have considered trends in the following economic indicators: effective buying income (EBI), retail sales, and eating/drinking place sales. The table below outlines growth in key economic indicators for the Las Cruces MSA and New Mexico between 1991 and 1998.

Economic Trends Las Cruces MSA⁽¹⁾ and the State of New Mexico 1991 - 1998									
	1991	1992	1993	1994	1995	1996	1997	1998	Compound Annual Growth Rate 1991-1998
Total EBI⁽²⁾ - (\$000s)									
Las Cruces MSA	1,360,283	1,455,917	1,596,348	1,715,974	1,517,657	1,628,026	1,710,197	1,790,474	4.0% ⁽³⁾
State of New Mexico	18,197,991	19,287,996	20,983,006	22,642,998	20,753,479	21,868,458	23,012,770	23,869,170	4.0% ⁽³⁾
Median Household EBI									
Las Cruces MSA	23,119	23,917	25,298	26,310	22,491	23,219	23,703	23,926	0.5% ⁽³⁾
State of New Mexico	26,104	26,920	28,677	30,032	26,499	27,503	27,744	28,795	1.4% ⁽³⁾
Retail Sales - (\$000s)									
Las Cruces MSA	642,154	735,486	825,329	1,006,383	1,035,002	1,099,099	1,145,574	1,211,113	9.5%
State of New Mexico	9,645,014	10,933,866	12,336,623	14,092,171	14,633,717	15,786,390	16,435,378	17,402,960	8.8%
Eating and Drinking Place Sales (\$000s)									
Las Cruces MSA	69,202	82,073	93,164	138,513	150,829	142,790	141,689	147,608	11.4%
State of New Mexico	1,062,822	1,237,506	1,428,401	1,871,332	2,053,019	2,093,661	2,110,799	2,234,660	11.2%
⁽¹⁾ Standard Metropolitan Statistical Area. ⁽²⁾ Effective Buying Income. As of 1995, <i>Sales and Marketing Management</i> changed the benchmark of EBI from personal income by the Bureau of Economic Analysis to Money Income by the U.S. Census. Census data is deemed by this organization as more credible for long-term tracking. ⁽³⁾ Due to change in 1995 calculations, these numbers reflect compound annual change from 1995 to 1998.									
Source: <i>Sales and Marketing Management</i>									

The following paragraphs summarize selected economic and demographic characteristics influencing the Las Cruces MSA.

- The 1998 Median Household EBI for Las Cruces was \$23,926, slightly lower than the state average of \$28,795. This comparatively low indicator is, however, in tandem with the low cost of living in Las Cruces, an attribute that is attracting new residents to the city.
- Retail sales in Las Cruces increased at a CAGR of 9.5 percent during the period 1991-1998, compared to the statewide annual growth rate of 8.8 percent.

- *Eating and Drinking Place Sales have increased at a CAGR of 11.4 percent in the City of Las Cruces and at a CAGR of 11.2 percent during the period 1991 to 1998. Eating and Drinking Place Sales has increased substantially more than Retail Sales during that same period.*

4. Employment

After more than a decade of slow industrial-manufacturing growth, the Las Cruces and Doña Ana County area is enjoying a consistent pattern of new employment opportunities. Recent new corporate locations in the area include Parkview Metal, Rea Magnet Wire, Multi-Plastics of New Mexico, 21st Century Grain Processing, Rio Valley Chili Company, Celco, Farah, Vista Corrugated, and Karr Tool. When fully operational, these manufacturers add some 650 jobs to the local economy. In addition, two telecommunications firms, Excel Agent Services and TCIM Ltd. Direct Marketing, have chosen Las Cruces as an expansion location for their operations. These two facilities represent the initial inbound-outbound call center entries into southern New Mexico. Together, the two firms will employ 300 people. The following table identifies the largest employers in Las Cruces as of 1998.

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Major Employers in the Las Cruces Area		
Name	Employees	Product or Service
New Mexico State University	7,214	Education
White Sands Missile Range	4,357	U.S. Army Testing
Las Cruces Public Schools	3,316	Education
Gadsden Independent School District	1,570	Education
NASA (Lyndon B. Johnson facility)	1,500	Rocket Testing
City of Las Cruces	1,251	Municipal Government
Memorial Medical Center	1,198	Medical Facility
Walmart	700	Retail Store
Allied Signal Aerospace	667	NASA Control Manager
Dona Ana County	450	County Government
NMSU Physical Science Lab	380	Aerospace Contractor
IBP Prepared Foods	350	Meat Processor
Southern N.M. Correctional Facility	300	State Medium Security Prison
Target	225	Retail Store
El Paso Electric	150	Electric Utility
Metro Corporation	141	Scales
Foamex LP	120	Polyurethane Foam
Burn Construction	115	Asphalt-Concrete
Integrated Ingredients	75	Specialty Spices
F&A Dairy Products	70	Cheese Factory
Tuscarosa Plastic	53	Plastic Packaging
Sun-Diamond	48	Pecan Nut Processor
Source: <i>Las Cruces Economic Development 1998</i>		

Las Cruces is a leading center of research and technology. New Mexico State University (NMSU), founded in 1880, offers expertise in agriculture, technology, engineering, business, and industry. Substantial research and technical support facilities are available to aid in the area's economic development. Allied Signal has been awarded a seven-year, \$324-million contract by the National Aeronautics and Space Administration (NASA) to operate the White Sands Missile Range's Test Facility. Currently, the Test Facility contract contributes about \$33 million to the local economy.

The Las Cruces region is becoming an important trading corridor as a result of the North American Free Trade Agreement (NAFTA). There are three U.S. Department of Commerce-approved Foreign Trade Zones located next to the Las Cruces International Airport. Businesses that relocated to the Las Cruces region can take advantage of the area's strategic geographic location regarding trade.

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NMSU has kept its enrollment near 15,000 for most of the past decade. Doña Ana Branch Community College (DABCC) recently completed a major campus addition to accommodate its enrollment of 4,000. DABCC offers flexible training courses and is one of the region's best incentives for prospective industrial employers.

The region has a local labor force that is well-educated and has considerable technical expertise. The region's tradition of offering productive, cost-effective labor is largely responsible for the healthy economic growth the region has experienced in the last 20 years.

In March 1999, the Las Cruces MSA civilian labor force was 69,385 (approximately 40 percent of the population), which is up from 63,848 in 1995, growing at a 2.2 percent CAGR. The unemployment level was at 8.5 percent in 1998, which is higher than the New Mexico and national unemployment rates. However, the unemployment rate has decreased in the Las Cruces MSA since 1996. This same trend can be observed in the unemployment rate for the state of New Mexico. The table below summarizes the unemployment rates in the U.S., New Mexico, and Las Cruces. The table presented on page 10 details Las Cruces MSA's employment by industry for 1997 and 1998.

Unemployment Rates United States, New Mexico, and Las Cruces MSA 1995 - March 1999			
Year	United States	New Mexico	Las Cruces MSA
1995	5.6%	6.3%	8.5%
1996	5.4%	8.1%	10.4%
1997	4.9%	6.2%	8.5%
1998	4.5%	6.2%	8.5%
March 1999	4.2%	6.2%	7.8%

Source: *New Mexico Department of Labor*

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Non-Agricultural Employment by Industry⁽¹⁾		
1997 and 1998 Annual Averages		
Sector/Industry	1997	1998
Construction & Mining	3,200	3,200
Manufacturing	2,800	2,900
Durable Goods	1,050	1,100
Nondurable Goods	1,700	1,800
Transportation and Public Utilities	1,800	2,000
Trade	10,900	10,900
Wholesale Trade	1,250	1,200
Retail Trade	9,600	9,700
General Merchandise	1,350	1,450
Stores	1,300	1,250
Food Stores	7,000	7,000
Other Retail Trade	2,000	2,000
Finance, Insurance, & Real Estate	11,000	12,800
Services	19,600	18,800
Government	3,800	3,600
Federal Government	15,800	15,100
State and Local Government	7,500	7,700
State Government ⁽²⁾	8,300	7,400
Local Government	45,200	46,600
Service Producing	5,900	6,100
Goods Producing	51,100	52,600
Total Non-Agricultural		

⁽¹⁾ Estimates include all full-time and part-time salary workers who worked or received pay during the pay period, which included the 12th day of the month. Self-employed, family workers, household workers, and members of the Armed Forces are excluded.

⁽²⁾ Includes employees of federally funded state programs, state supported universities, and the three branches of state government.

Source: **New Mexico Department of Labor, Economic Research and Analysis Bureau**

From the employment by industry table, it is evident that the government sector employs the greatest number of people, followed by the service and trade sectors. Between 1997 and 1998, the number of people employed in the services sector increased by 16.4 percent, and the number of people employed in the transportation and public utilities industry increased by 11.1 percent. Other employment gains were experienced by the manufacturing sectors.

5. Commercial Real Estate

Las Cruces continues to grow as an increasing number of retirees make this community their adopted home. This new group brings in retail and service dollars in tandem with those who manage the money and investments for the retirees, who in turn bring the

big-box retailers to the community. Retail growth will continue in the North Telshor area, while industrial growth will continue in the West Mesa Industrial Park and the Santa Teresa Port of Entry. Due to the relatively small amount of commercial space available in Las Cruces, there is not enough data available for analysis.

6. Transportation

a. Road

The two major freeways passing through Las Cruces are Interstate-25 (linking with Santa Fe and Albuquerque to the north) and Interstate-10 (linking with Phoenix and Tucson in Arizona to the west and continuing further to Los Angeles). Interstate-10 also links with El Paso and Houston in Texas to the east and continues to Miami. There is also the U.S. 70-82 freeway that runs northeast through Las Cruces.

Most travelers from within New Mexico and from regions outside the state use freeway systems to reach Las Cruces. The following table shows travelling distance from major surrounding cities to Las Cruces.

U.S. Metropolitan Cities Nearest To Las Cruces, New Mexico	
City	Distance
El Paso, Texas	47 miles
Albuquerque, New Mexico	220 miles
Tucson, Arizona	275 miles
Amarillo, Texas	400 miles
Dallas, Texas	676 miles
Phoenix, Arizona	393 miles
Los Angeles, California	779 miles
Chicago, Illinois	1,555 miles
Source: Mesilla Valley Economic Development Alliance (MVEDA)	

b. Air

The Las Cruces International Airport is a small, local airport. Mesa Airlines is the only carrier that operates at the airport, with three flights daily to Albuquerque. The airport is available for private or charter flights for incoming travelers to Las Cruces. For most people travelling to Las Cruces from another state, the El Paso International Airport is used and then they drive 47 miles to Las Cruces.

Six major airline carriers that provide 170 nonstop and direct flights within the U.S serve El Paso International Airport. American, Delta, Southwest, Continental, America-West, and Frontier provide commercial services. Also serving the area is

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AeroMexico, Taesa, Aero California, Aerolitoral, and Mexicana to destinations in Mexico from the nearby Ciudad Juárez Airport in Mexico. Aerolitoral and Lonestar Airlines provide flights from El Paso to Chihuahua.

The table below highlights total passengers using El Paso International Airport from 1990 to 1998. The table indicates that 1994 was a record year for total passenger numbers, with a total of 3,730,070. However, El Paso International experienced a decline in passenger counts from 1995 to 1997. According to the airport administration, there are two reasons for the decline in passenger numbers during this period. Firstly, Southwest Airlines decreased their level of service at El Paso International because they moved some of their flight equipment to serve its increasing demand in Florida, and secondly because of Mexico's Peso devaluation at that time. Over the nine year period from 1990 to 1998, the overall total passenger counts have remained stable. However, an increase in passenger volume can be noted in 1998 and as of year-to-date 1999.

Total Passenger Counts El Paso International Airport, Texas 1990 - 1999				
Year	Enplaned	Deplaned	Total Passengers	Percent Change
1990	1,655,947	1,590,521	3,246,468	-
1991	1,677,353	1,610,375	3,287,728	1.3%
1992	1,713,559	1,657,761	3,371,320	2.5%
1993	1,772,675	1,716,661	3,489,336	3.5%
1994	1,881,298	1,848,772	3,730,070	6.9%
1995	1,835,162	1,789,912	3,625,074	(2.9%)
1996	1,799,751	1,759,321	3,559,072	(1.8%)
1997	1,633,458	1,600,537	3,233,995	(9.1%)
1998	1,635,282	1,605,400	3,240,682	0.2%
CAGR	(0.2%)	0.1%	0.0%	-
YTD Sept. 1998	1,232,216	1,205,972	2,438,188	-
YTD Sept. 1999	1,257,678	1,236,452	2,494,130	2.3%

Source: **El Paso International Airport**

According to the El Paso airport administration, the airport completed a \$57-million renovation project in November 1998. Currently, there are preliminary discussions regarding a second renovation project; however, neither budget nor timeline has been set.

7. Tourism

Regional attractions include the White Sands National Monument, Gila National Sierra Blanca (mountains), Ruidoso Downs (horse racing), and Ski Apache (snow skiing). The White Sands Missile Range near Alamogordo and the Lyndon B. Johnson NASA rocket

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testing facility near Organ are also popular visitor attractions. Locally, the village of Mesilla's Historical Square offers restaurants and small stores that capture the Southwest mystique. According to research conducted by the Department of Hotel, Restaurant & Tourism Management at NMSU, the typical travel party size to Las Cruces is two-to-three persons, and the average length of stay is 3.6 nights. It is estimated that a typical visitor spends approximately \$253 per trip.

Las Cruces has a mild climate with temperatures that range from 94° in the summer months to 59° in the winter. The mild climate is very desirable for residents and visitors alike. The City of Las Cruces hosts a number of events such as the International Mariachi Conference, the Renaissance Craftfaire, the Whole Enchilada Fiesta, and Arte Picante. Museums are a strong presence within Las Cruces. A number of local museums portray the history of the region and the city's unique cultural significance.

8. Transient Occupancy Tax

One method of tracking visitor trends is by analyzing the transient occupancy tax (TOT) revenue, also known as bed tax revenue. The TOT reflects taxes based on room revenue for lodging facilities in the City of Las Cruces and, therefore, can be used as a measure of trends in occupancy and/or average daily rate experienced by hotels. Over the past six years, the TOT collections have increased by approximately 2.4 percent compounded annually. Additionally, the largest yearly increase occurred between fiscal year 1996/97 and 1997/98. The following table highlights the TOT collections for the City of Las Cruces between fiscal years 1993/94 and 1998/99.

Transient Occupancy Tax Revenue Las Cruces, New Mexico 1993/94 to 1998/99			
Fiscal Year	Tax Rate	Tax Revenue	Percent Change
1993/94	5.0%	\$800,702	-
1994/95	5.0%	\$829,835	3.6%
1995/96	5.0%	\$884,563	6.6%
1996/97	5.0%	\$856,252	(3.3%)
1997/98	5.0%	\$917,945	7.2%
1998/99	5.0%	\$903,188	(1.6%)
CAGR	-	2.4%	-

Source: *The City of Las Cruces*

As can be noted in the table above, the TOT in Las Cruces is five percent, on par with the TOT in other cities throughout New Mexico. As highlighted, the Las Cruces TOT for fiscal year

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1998/99 was approximately \$900,000, an amount that would increase materially with the opening of a convention center in the city.

The following table summarizes the TOT rate in other comparable cities in New Mexico, as well as Tucson, Arizona; Lubbock, Amarillo, and El Paso, Texas.

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Transient Occupancy Tax Rates Competitive Cities in New Mexico, Texas, and Arizona	
City	Tax Rate
Las Cruces	5.0%
Ruidoso	4.0%
Taos	4.5%
Santa Fe	5.0%
Farmington	5.0%
Albuquerque	5.0%
Amarillo	6.75%
Tucson	7.0%
Lubbock	7.0%
El Paso	8.0%

Source: *PKF Consulting*

The statistics presented above indicate that Las Cruces has a TOT rate that is similar to other cities in New Mexico. However, as the competing cities of El Paso, Tucson, Lubbock, and Amarillo have higher tax rates, at eight percent, seven percent, and 6.75 percent, respectively, non-state associations in Texas and Arizona may find the lower TOT rate offered in Las Cruces an attractive alternative.

E. EL PASO AND CIUDAD JUAREZ

El Paso, located approximately 47 miles southeast of Las Cruces, and with a population of 630,700, is an important commercial and trade center in the Southwest. Ciudad Juárez, the fourth largest city in Mexico and with a population of approximately two million, is the sister city to El Paso. The El Paso economy continues to grow as a result of a diversifying manufacturing industry, considerable increases in retail sales, and the continued success of maquiladora-related industries and support services. Retail sales in 1998 topped the \$5.5 billion mark for the first time in El Paso history and this upward trend is continuing in 1998 and 1999. Retail sales have increased by an average of more than six percent annually over the last ten years.

The maquila industry, also referred to as "production sharing", constitutes a significant portion of all U.S.-Mexico trade. At present, the maquila industry represents a significant 39 percent of global production sharing by U.S. companies. Of this total, more than 80 percent of total materials used in production are sourced from U.S. suppliers nationwide. Production sharing with Mexico remains an important business strategy used by U.S. industry to achieve industrial competitiveness in the NAFTA (North American Free Trade Agreement) and global markets. The

maquila industry's effect on the regional economy is significant. The industry is pumping approximately \$1 billion into the area's economy, which is a figure that is growing steadily.

There are approximately 320 maquiladoras in the El Paso region that employ more than 183,000 Mexican workers. Of these, more than 70 are owned and operated by Fortune 500 companies from the U.S. Additionally, more than 20 Japanese corporations have established maquila operations in the region (12 in El Paso, including Sumitomo and Clarion), along with a number of European and Taiwanese firms. Facilities are engaging in higher technology manufacturing, which is consistent with El Paso becoming the higher technology, production -sharing center for North American industries. As a trade area, the El Paso-Ciudad Juárez community ranks as the 16th largest Metropolitan Statistical Area (MSA) in the United States.

F. CONCLUSIONS

After reviewing the various socio-economic data for the Las Cruces area, it is evident that the local and regional economy has been experiencing overall steady growth in recent years. Due to the growing national and regional economy, projections are expected to continue to improve over the short-term; long-term projections also indicate that stable economic growth and increasing transient demand can still be anticipated.

Analyzing the impact on future demand of anticipated changes in the convention center market area, the following variables have been taken into account:

- *New Mexico and the Southwest region are the gateway to Mexico and Latin America;*
- *Las Cruces is the fastest growing city in New Mexico and the 11th fastest growth area in the nation;*
- *Las Cruces has been experiencing steady growth over the past five years in terms of population and employment;*
- *The North American Free Trade Agreement (NAFTA) has opened opportunities for trade in Las Cruces and the surrounding region;*
- *Las Cruces is located approximately 45 miles from El Paso and Ciudad Juárez, an important metropolitan area with a combined population base of approximately 2.6 million; and*

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- *El Paso International Airport is an expanding facility that services travelers to Las Cruces.*